

Changing phase in GST compliance

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Every registered person has to file his/her GST returns as prescribed under Chapter IX of Central Goods and Service Tax Act, 2017 (CGST Act,2017), Rules 59 to 84 of Central Goods and Service Tax Rules, 2017 (CGST Rules, 2017) within due dates mentioned and electronically on common portal (www.gst.gov.in). Filing of GST returns posed a great challenge not only for assesses, chartered accountants and various persons who filed the returns but also to the Government which made to issue 30 notifications upto 31.07.2018 only for extensions of due dates of various returns for various periods latest one being Notification 30/2018 – Central Tax dated 30.07.2018 which extended the due date for filing of GSTR 6 (Return by Input Service Distributor) for period July 2017 to August 2018 to 30.09.2018. Now, simplified returns are approved in 28th GST council meeting held on 21.07.2018 and the same are put for public comments upto 31.08.2018. In this article, I tried to analyse the journey of GST returns as discussed in Central Goods and Services Tax Act, the present procedure being followed and the proposed simplified return formats; practical difficulties being faced by the assesses; suggestions on improvement of the return process to increase compliance.

Salient Features of GST Returns

- Electronic Return – Returns under GST are to be furnished in electronic form which reduces the face to face interaction with the department for compliance.
- Common return for Central Tax (CGST) ,State Tax (SGST), Union Territory Tax (UTGST) and Integrated Tax (IGST) – Though the tax is collected as CGST, SGST and IGST depending on the nature of supply i.e. CGST+SGST in case of intra-tate supply and

IGST in case of Inter-state supply; return for all supplies (Whether intra-state or inter-state) is same.

- Nil return to be filed even if there are no transactions during the tax period
- Late filing of return attracts late fee (Presently, Rs. 25 for each day of default under CGST & SGST Acts. In case of Nil return, Rs. 10 per day of default each under CGST & SGST Acts)
- Return filed without payment of tax is treated as invalid return though common portal doesn't allow filing of the return unless the liability is offset by either Electronic Cash ledger or Electronic Credit Ledger.

Return Form	Particulars	Time period to file
GSTR 1	Return of Outward Supplies	On or before 10 th of next month
GSTR 2	Return of Inward Supplies	11 th to 15 th of next month
GSTR 3	Monthly Return	16 th to 20 th of next month
GSTR 4	Return by persons opted Composition Levy	On or before 18 th of month following the quarter
GSTR 5	Return by Non-Resident Taxable person	On or before 20 th of next month or within 7 days after last date of validity of registration
GSTR 5A	Return by Person supplying OIDARS	On or before 20 th of next month
GSTR 6	Return by Input Service Distributor	On or before 13 th of next month
GSTR 7	Return by person required to deduct tax deducted at source	On or before 10 th of next month
GSTR 8	Return by E-Commerce Operator	Within 10 days after end of the month
GSTR 9	Annual Return	On or before December 31 st of following financial year
GSTR 10	Final Return	Within 3 months from date of cancellation of registration

Current compliance procedure

- **GSTR 1 Details of outward supplies of goods or services** – GSTR 1 is to be filed by all assesses to report their details of outward supplies made during the tax period. Government vide Notification No. 57/2017 – Central tax dated 15.11.2017 provided option to assesseees whose aggregate turnover in preceding financial year is upto Rs. 1.50 Crores to file their GSTR 1 quarterly. As per CGST Act,

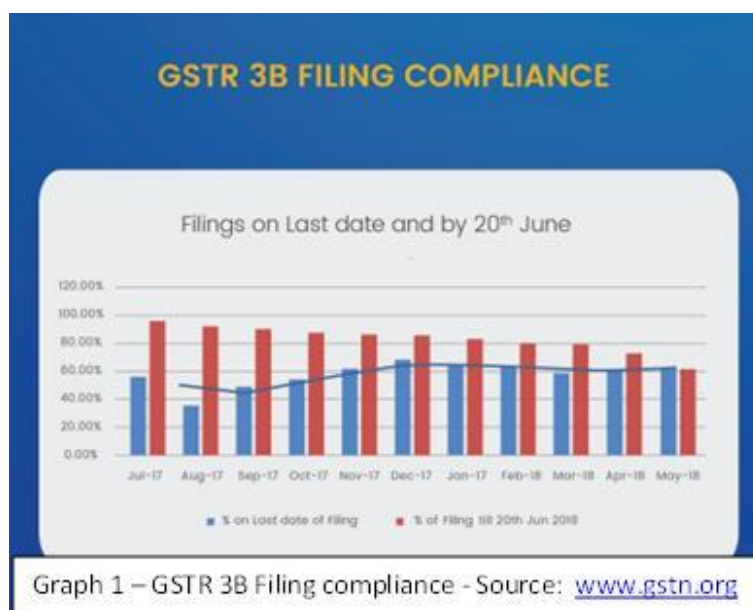
Due dates - GSTR 1	
Period	Due date
July 2017 – November 2017	10.01.2018
December 2017	10.02.2018
January 2018	10.03.2018
February 2018	10.04.2018
March 2018	10.05.2018
April 2018	31.05.2018
May onwards	10 th of next month

2017, GSTR 1 needs to be filed on or before 10th of following month. Due date for filing GSTR 1 too have been extended to various dates for various periods and finally, the due date as mentioned in CGST Act, 2017 is being complied with from month of May 2018. Statistics show that GSTR 1 compliance is still poor. With the extension of due dates for GSTR 2 and GSTR 3, with introduction of GSTR 3B and also fee for late filing of GSTR 1 being not automatic; the seriousness of filing GSTR 1 is not being seen among various assesses, mainly the MSME sector and also even some major public sector undertakings.

- **GSTR 2 Details of inward supplies of goods or services** – GSTR 2 is proposed by the CGST Act, 2017 to be filed by all assesses within 15th of following month in which details of inward supplies are auto populated from GSTR 1 filed by the respective suppliers and the recipient can accept the invoices uploaded, modify any wrong particulars as uploaded by the supplier, postpone the availment of Input tax credit (ITC) on the invoices or add the invoices missed to be uploaded by the supplier in his GSTR 1. However, due dates for filing of GSTR 2 for the months of July 2017 to March 2018 vide

notification no. 72/2017 – Central Tax dated 29.12.2017 have been extended to date to be notified and notification no. 18/2018 – Central Tax dated 28.03.2018 extended the due date for the periods April 2018 to June 2018 to a date yet to be notified. However, the details of supplies made by the suppliers who have filed their GSTR 1 indicating the GSTIN of the recipient are appearing in GSTR 2A of the recipient which is only a ‘Read only’ Document. It is important to note here that the due dates are extended to date yet to be notified and compliance as per GSTR 2 is not yet waived. It is advisable to assesses to reconcile their ITC already availed vide GSTR 3B with GSTR 2A though it is not mandatory as of date.

- **GSTR 3 Monthly return** – This is a monthly return summarising the details already furnished on filing GSTR 1 and GSTR 2 of a tax period. This return is to determine the tax payable for the tax period and to update the Electronic liability register, electronic cash ledger and electronic credit ledger of taxpayer. Since due date for GSTR 2 is extended to a date yet to be notified, GSTR 3 too was extended accordingly.



Government has notified a new form **GSTR 3B** by amending the CGST Rules, 2017 vide Notification no. 17/2017 – Central Tax dated 27.07.2017. GSTR 3B is to be filed every month by all assesses by 20th of next month which contains summary of outward supplies made, eligible Input Tax Credit (ITC), Reversal of ITC, Payment of tax. Even an assessee who doesn't undertake any transactions during the tax period also needs to file this return. Late filing of GSTR

3B attracts Fee of Rs. 25 per day of delay per act (Rs. 10 per day per act if there are no transactions during the tax period). Upto November 2017, the GST portal couldn't bear the traffic flow and used to create glitches which made Government to extend the due dates. Of late, the compliance of GSTR 3B increased as evident from the graph 1. GSTR 3B also have many challenges like the scope of non-GST supply as mentioned in Table of GSTR 3B, no option to reset or amend the return once filed and so on.

Proposed Compliance Procedure

GST Council at its 27th and 28th meetings held on 04th May 2018 and 21st July 2018 respectively approved a basic principles, key features and new formats of new GST returns. The draft formats are available in public domain <https://www.mygov.in//group-issue/simplified-gst-return-principles-and-draft-return-formats/> for comments and suggestions upto 31st August, 2018. Let us now focus on the salient features and procedure of filing return as proposed by the GST Council recently.

Salient features of proposed return procedure

- One Monthly return for all taxpayers with few exceptions. (One Main return with two annexures – one for outward supplies and second for inward supplies)
- Only uploaded invoice would be a valid document for availing input tax credit.
- Nil return can now be filed by sending an SMS.
- Quarterly return filing option to assesses whose turnover is upto Rs. 5 Crores during preceding financial year. (Sahaj, Sugam and Quarterly return based on profile)
- Facility of amendment of return (Maximum of 2 times per return) is proposed with a higher late fee in certain cases.
- Unidirectional Flow of document i.e. Uploading of details of Invoices only by supplier

- Offline IT Tool which provides details of inward supplies in Excel format for matching with the records maintained by the assessee.
- HSN being made mandatory for filing as separate table and not at invoice level.
- Concept of Missing Invoices, Pending Invoices, Locking of invoices introduced

Proposed procedure for monthly returns - One Monthly return is proposed for all assesses except small taxpayers, Input Service Distributor, Non-resident taxable persons, persons liable to tax deducted at source and persons liable to tax collected at source. Assessee needs to file one main return with annexures containing the details of outward supplies and inward supplies. Once the supplier fills details of his outward supplies in the annexure of outward supplies, the same appears in viewing facility of the recipient as his inward supplies. The recipient has to either accept the invoices or postpone the availment of ITC or reject the invoices if that uploaded invoice doesn't belong to the recipient. Supplies on which ITC is not eligible, amount of ITC claimed shall be filled up as 'Zero' in column "Amount of ITC claimed". Only uploaded invoice would be a valid document for availing ITC i.e. Recipients can avail ITC only on Invoices uploaded by the supplier upto 10th of next month and ITC on Invoices uploaded after 10th of next month shall be availed in the subsequent month only. Return filing dates shall be staggered based on the turnover of the taxpayer which shall be calculated based on the reported turnover. Concept of locking of invoices is proposed to be introduced wherein the invoices on which the recipient had availed ITC is deemed to be locked for amendment.

Appreciable changes in the proposed procedure (Monthly)

- ✓ Return for assessee who doesn't have any transactions can be filed vide SMS which reduces the compliance burden on the assesses.
- ✓ Offline IT tool for matching of the invoices downloaded in XL format.

- ✓ In case of sales at month end and where goods doesn't reach the assesses before end of the month, ITC is being postponed to month in which the goods/services are received but in proposed procedure, where the goods or services have been received by the recipient before filing of a return and invoice for the same has been uploaded by the supplier upto the due date i.e 10th of the next month, input tax credit for the same can be availed by the recipient in the return.
- ✓ Deemed Locking of invoices i.e. Invoices deemed to be locked once the recipient avails ITC on the respective invoice. Any amendments can be made only by way of debit/credit notes. The present procedure allows to amend the invoice in subsequent months too and hence GSTR 2A is being updated regularly. This is curtailed by the proposed procedure.
- ✓ Any amendment made in the invoice is given effect to the return filed for the respective month to which the original invoice belongs i.e. If invoice dated April is amended in September, the particulars of April return stands amended once the amended return is filed in September. This gives a true picture of that month on viewing the return of that month itself. In the present procedure, continuing the previous example, the GSTR 2A of September is containing the entry dated April and GSTR 2A of April doesn't reflect the entry made in September pertaining to invoices furnished in April.
- ✓ Higher late fee Amendment return proposed to be prescribed which is welcome move so that the amendments are made only for genuine reasons and purpose.
- ✓ Suspension of registration proposed to be introduced once the application for cancellation of registration is submitted which reduces the compliance burden on the assessee who applied for registration but needs to file returns till date of cancellation in case of present procedure.
- ✓ Field of 'No Supply' being added for disclosure and clarifying that activities specified in Schedule III needs to be mentioned as 'No Supply' and also clarifying that 'Non GST

supplies' to mean supply of alcoholic liquor for human consumption and supply of petrol and other products which are kept out of levy of GST.

Challenges with the proposed procedure (Monthly)

- ➔ Single return is what is talked of but it appears that GSTR 1 in the name and style of Annexure of Supplies to main return - Details of outward supplies, imports and inward supplies attracting reverse charge and GSTR 2 in the name and style of Annexure of Inward Supplies being implemented.
- ➔ A recipient may not be able to avail ITC on their inward supplies though he is in possession of a valid invoice and received goods/services but the supplier missed to file the details in his annexure of outward supplies before 10th of the next month and also there is no option to the recipient to ADD an invoice on which he is eligible to avail ITC. Though concept of missing invoice is introduced but no clarity whether the same is going to be continued or valid only for a 6 month trial period after introduction of proposed procedure.
- ➔ Concept of Missing Invoices is also a burden to the recipient. Once reported, it appears that the amount of ITC availed on missing invoices shall be added to output tax liability of the recipient and recipient shall also be liable to pay interest on the ITC availed from date of availment till date of adjustment.
- ➔ Tax is auto calculated by the system and the amount of tax calculated is a non-editable field. Challenge arises regarding disclosure of any amounts collected in excess of the actual tax payable and has to be paid to government. It is suggested that there should be an option of 'Other outward tax liability' in Table 3 of the proposed return format to address these issues.

Proposed procedure for quarterly returns – Small taxpayers are given an option to file returns quarterly. Small Taxpayers are those whose aggregate turnover during the preceding financial year upto Rs. 5 Crores. Three different formats for quarterly return proposed to be introduced.

Sahaj – For assesses who have Domestic Inward supplies and B2C outward supplies only.

Sugam – For assesses who have Domestic Inward supplies and both B2B and B2C outward supplies.

Quarterly return – Similar to monthly return but shall not have requirement of disclosure of following:-

- Missing and Pending invoices
- Supplies such as Non-GST Supply, Exempted supply, etc
- Details of Input Tax credit on capital Goods

Assesses opting for quarterly return need to file a payment declaration form in first and second month of quarter and pay their taxes. Payment declaration needs to be filed along with payment of tax on or before 20th of the month succeeding month to which liability pertains. After the third month of quarter, quarterly return needs to be filed on or before 20th of month following the quarter. This reduces compliance burden on the assessee since they have to file a payment declaration and not a return for first and second month of quarter and thus the minor errors in the declaration would not lead to initiation of legal action. Assessee needs to fill only the following details in the proposed Payment declaration for first and second month of the quarter.

S.No.	Description	Integrated Tax	Central Tax	State/UT Tax	Cess
1	Liability of pay tax				
2	Input tax credit availed				

Option for filing monthly or quarterly return shall be taken from these small taxpayers at the beginning of the year and the assessee has an option of converting from quarterly to monthly and vice versa only once during the year and that too at the beginning of a quarter. However, the assessee who opts for quarterly return has an option to upload its B2B outward supplies details continuously so that the recipient is eligible for ITC on those supplies whose details are uploaded by the supplier on or before 10th of following month. Quarterly return shall not have compliance with respect to Pending and missing invoices.

Appreciable changes in the proposed procedure (quarterly)

- ✓ Increase in the limit of aggregate turnover limit from Rs. 1.5 Crores to Rs. 5 Crores for opting quarterly return.
- ✓ The assessee opting to file quarterly return need not file returns for first and second month but required to file only a payment declaration and can amend or rectify any errors in first and second months while filing quarterly return after the third month of the quarter.
- ✓ Information relating to such supplies which does not create liability such as non-GST supply is not required to be filed.

Challenges with the proposed procedure (Quarterly)

- ➔ Concept of missing invoices or pending invoices not available to assessee who opted for quarterly returns. Therefore, the assessee who opted for quarterly return is at the mercy of the supplier whether to avail ITC on inward supplies or not. If the supplier doesn't file his return in time, ITC pertaining to the same cannot be availed by the assessee at all.
- ➔ Reporting of HSN at 4digit level for goods and 6 digit level for services is being made mandatory. Exceptions to the same may be provided.

➔ There is no proposal of amendment to quarterly return. When amendment return is proposed to be introduced to rectify human errors, why not amendment return for quarterly return too!?

In a nutshell, the following table summarises the procedure as proposed by the CGST Act, 2017 and CGST Rules, 2017; the present procedure being adopted and proposed procedure of compliance.

Proposed by GST Act	Present Procedure	Proposed Procedure
GSTR 1 by 10 th of next month	- GSTR 1 by 10 th of next month - Quarterly option to assesses whose turnover is less than Rs. 1.5 Crores in preceding financial year	- 1 Monthly return before 20 th of next month with 2 annexures (one for outward supplies and one for inward supplies)
GSTR 2 by 15 th of next month	Postponed. Only GSTR 2A in view format available.	- Quarterly option to assesses whose
GSTR 3 by 20 th of next month	Replaced by GSTR 3B to be filed by 20 th of next month	turnover is less than Rs. 5 Crores during preceding financial year

Thought of easing the compliance burden is really appreciating but the true spirit of simplifying needs to be implemented which plays a vital role in success story of GST in India. We, as chartered accountants, partners in nation building, let us share our inputs,

suggestions and comments on the proposed change in the compliance procedure and help in the easing the compliance burden of the assesses. Let us hope that the new compliance procedure will be really simplified rather than complicating it.